

REMARKS

Reconsideration of this application is respectfully requested in view of the foregoing amendment and the following remarks.

Claims 1-30 were pending in this application. Claim 2 has been cancelled and claims 1, 8, 14, 15, 17, 18, 21, 25, 27 and 30 have been amended hereby to more clearly recite the features of the present invention. Accordingly, claims 1 and 3-30 will be pending herein upon entry of this Amendment. Support for the amendment to each of the independent claims can be found throughout the present application. Support for the amendment to dependent claims 15, 18 and 27 can be found, for example, on pages 3 and 7 of the present specification. For the reasons stated below, Applicant respectfully submits that all claims pending in this application are in condition for allowance.

In the Office Action, claim 2 was rejected under 35 U.S.C. §112, second paragraph, claims 14-30 were rejected under 35 U.S.C. §101, and claims 1-30 were rejected under 35 U.S.C. §102(e) or 35 U.S.C. §103(a) over Halbert et al., U.S. Patent 6,101,484. To the extent these grounds of rejection might still be applied to the claims presently pending in this application, they are respectfully traversed.

Examiner Nguyen is thanked for the courtesies extended to Applicant's representative during the personal interview conducted May 6, 2003. The substance of that interview is incorporated into the following remarks.

As explained during the interview, the present invention is directed to systems and methods for improving the offerings of multi-class instruments, such as multi-class financial instruments.

Conventionally, an underwriter that was interested in offering multi-class instruments would have to purchase all of the underlying collateral and then attempt to sell the several classes of the multi-class instrument in a way that the underwriter determined to be the most enticing to investors. Significantly, to be successful, the underwriter would have to sell all of the classes at a predetermined target price. Accordingly, an underwriter is highly susceptible to significant risks before and until all of the classes are sold.

As discussed at page 11, lines 10-17 of the present application, while electronic trading systems have been developed for various financial products, these systems are designed to handle only a single class of an instrument at a time.

To improve upon the state of the art, the present invention provides a system and method that enables an underwriter to enter a detailed description of underlying collateral, a description of associated classes and details of cash flow allocation rules for each of the classes, as well as administrative costs and the underwriter's target profit. This information is then used in a substantially real-time electronic exchange in which investor information, including amount of collateral and price, is packaged and sent to the underwriter for further analysis. A result of this analysis includes the possibility of translating offerings of one type of collateral into another type of collateral to thereby adjust (or equalize) the balance of given multi-class instruments to encourage each instrument's overall desirability to investors participating in the transaction.

Thus, unlike the prior art, the present invention provides a system that avoids the risks to underwriters inherent in current market practice. Specifically, in accordance with the present invention, underwriters need not risk any capital until all classes, or some minimum amount of at least some of the classes, have been "sold." The system and method directly adapt to changing market conditions so that the underwriter bears little, if any, market risk.

To achieve the objectives of the present invention, a structure database is preferably loaded with definitions or characterizations of the various classes of the multi-class instrument, the underlying collateral, cash flow allocation rules, class structure, desired arbitrage profit and other parameters for a multi-class instrument, including, the face value of the individual classes and specific information about the underlying collateral. With the foregoing information properly stored, the present invention preferably presents each class to potential investors, preferably separately, as indicated on page 22, lines 4-13 of the present application. Investors are then given the opportunity to bid on the individual classes that are presented to them, as illustrated in Figure 4 of the present application.

Significantly, unlike the prior art, the present invention is capable of handling several different classes of a multi-class instrument simultaneously. The prior art, on the other hand, is restricted to handling a single class instrument without any benefit of "playing" one class against another to obtain the best price point and amount of collateral for each of the classes of the multi-class instrument.

Referring now to the several rejections in the Office Action, it is noted preliminarily that the rejection of claim 2 is moot since that claim has been cancelled and the subject matter thereof has been incorporated into independent claim 1.

With respect to the rejection of claims 14-30 under 35 U.S.C. §101, Applicant notes that independent claims 14, 17, 21, 25 and 30 have been amended as discussed during the interview to include computer systems that are operated by the underwriter and/or the buyers of the several multi-class instruments. It is noted that although Applicant disagrees with the application of this §101 rejection, Applicant has nevertheless amended the claims to expressly recite apparatus via which the claimed method can be performed.

In view of the foregoing, Applicant respectfully requests that the §101 rejection of claims 14-30 be reconsidered and withdrawn.

With respect to the §102 and §103 rejections based on Halbert et al., Applicant notes that Halbert et al. disclose a dynamic market equilibrium management system, process and article of manufacture in which an online buying group, also referred to as a co-op, is formed for the specific purpose of purchasing a particular product. The system allows the co-op to be modified using a market equilibrium manager.

Applicant submits that Halbert et al. is completely silent with respect to multi-class instruments wherein each class of the multi-class instrument is a saleable item in its own right, as is presently claimed. While any given product that may be sold in connection with a system consistent with Halbert et al. might be represented by a database record having a plurality of

fields, except for the product itself, no other field in such a record represents an item that can be sold.

Moreover, Halbert et al. is completely void of anything having to do with an underwriter's role in buying and selling anything. Halbert et al. only describe a system and method that provides a venue (a computer-based market equilibrium manager) through which a seller and a plurality of buyers can negotiate a particular price for a particular item. The operator of the system described by Halbert et al. does not buy or sell the product. That is, the operator is merely a facilitator of the buying and selling.

In contrast, in the present invention, an underwriter has a central role in first offering several classes of a multi-class instrument to potential buyers, receiving bids for those several classes of the multi-class instrument, and thereafter buying and then reselling underlying collateral in accordance with the configurations of the several classes of the multi-class instrument. This aspect of the present invention is clearly recited in the claims and, as such, clearly distinguishes the presently claimed invention from the applied prior art.

Thus, as agreed during the interview, there are at least two reasons why the presently claimed invention is different from what is disclosed in the Halbert et al. reference. First, unlike Halbert et al., the present invention offers to buyers several different classes of a multi-class instruments as opposed to only a particular or single product. Second, the presently claimed invention relies upon an underwriter that both buys and sells financial instruments and acts as a middleman between the original seller of the instruments and the ultimate buyers of financial

instruments, which are in a different configuration from the underlying collateral that is purchased.

Since Halbert et al. fail to disclose or to remotely suggest the invention claimed in the present application, Applicant respectfully requests that the §102 and §103 rejections of the claims be reconsidered and withdrawn.

In view of the foregoing all of the claims in this case are believed to be in condition for allowance. Should the Examiner have any questions or determine that any further action is desirable to place this application in even better condition for issue, the Examiner is encouraged to telephone Applicant's undersigned representative at the number listed below.

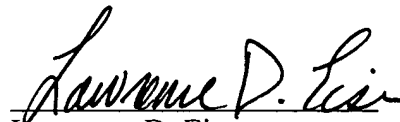
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Attachments: None

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